

**DAR AL-ETIMAN AL SAUDI COMPANY  
(A Saudi Closed Joint Stock Company)**

**UNAUDITED CONDENSED INTERIM FINANCIAL  
INFORMATION  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS  
ENDED SEPTEMBER 30, 2020  
AND REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL INFORMATION**

**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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## Report on review of condensed interim financial information

To the shareholders of Dar Al-Etiman Al Saudi Company  
(A Saudi Closed Joint Stock Company)

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dar Al-Etiman Al Saudi Company as of September 30, 2020 and the related condensed interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### PricewaterhouseCoopers

Mufaddal A. Ali  
License Number 447

October 28, 2020



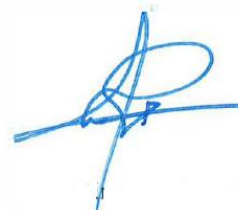
**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

		As at	
		September 30, 2020	December 31, 2019
		(Unaudited)	(Audited)
	Note		
<b>Assets</b>			
Cash and cash equivalents	4	61,390,697	47,180,166
Net investment in finance leases	5	58,441,400	69,066,224
Prepayments and other receivables	6	57,638,492	64,619,186
Zakat refundable	10	7,615,737	7,799,150
Financial asset at fair value through other comprehensive income		892,850	892,850
Property and equipment		386,412	655,014
<b>Total assets</b>		<b>186,365,588</b>	<b>190,212,590</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	7	100,000,000	100,000,000
Statutory reserve	8	5,058,470	5,058,470
Retained earnings		7,341,932	12,713,598
<b>Total shareholders' equity</b>		<b>112,400,402</b>	<b>117,772,068</b>
<b>Liabilities</b>			
Trade and other payables		37,335,414	34,256,128
Accrued and other liabilities	9	9,257,655	9,417,021
Net servicing liability under agency agreement	13	24,556,682	26,111,844
Employee benefit obligations		2,815,435	2,655,529
<b>Total liabilities</b>		<b>73,965,186</b>	<b>72,440,522</b>
<b>Total shareholders' equity and liabilities</b>		<b>186,365,588</b>	<b>190,212,590</b>

The accompanying notes form an integral part of these condensed interim financial information.



Member Board of Directors



Chief Financial Officer


**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2020	2019	2020	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Income</b>					
Income from finance leases		<b>3,830,101</b>	5,670,934	<b>11,029,308</b>	19,064,675
Net income from finance lease receivable sold to financial institutions	5	<b>4,517,906</b>	-	<b>4,517,906</b>	10,762,284
Other income		<b>1,166,198</b>	1,088,549	<b>2,945,997</b>	3,826,083
<b>Total income</b>		<b>9,514,205</b>	6,759,483	<b>18,493,211</b>	33,653,042
<b>Expenses</b>					
Finance income / (charges), net		-	-	<b>222,456</b>	(1,158,416)
General and administrative expenses		<b>(4,296,480)</b>	(5,143,665)	<b>(13,154,237)</b>	(15,178,805)
Allowance for impairment on investment in finance lease	5	<b>(1,200,000)</b>	(699,999)	<b>(3,850,000)</b>	(4,099,665)
Other operating costs		<b>(2,363,192)</b>	(2,313,245)	<b>(6,899,683)</b>	(9,939,359)
<b>Total expenses</b>		<b>(7,859,672)</b>	(8,156,909)	<b>(23,681,464)</b>	(30,376,245)
<b>Income / (loss) for the period before zakat</b>		<b>1,654,533</b>	(1,397,426)	<b>(5,188,253)</b>	3,276,797
Zakat expense		<b>(102,973)</b>	(193,777)	<b>(183,413)</b>	(675,723)
<b>Income / (loss) for the period</b>		<b>1,551,560</b>	(1,591,203)	<b>(5,371,666)</b>	2,601,074
Other comprehensive income		-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>		<b>1,551,560</b>	(1,591,203)	<b>(5,371,666)</b>	2,601,074

The accompanying notes form an integral part of these condensed interim financial information.



Member Board of Directors



Chief Financial Officer

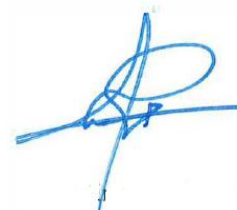
**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of changes in shareholders' equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
<b>January 1, 2020 (Unaudited)</b>	<b>100,000,000</b>	<b>5,058,470</b>	<b>12,713,598</b>	<b>117,772,068</b>
Loss for the period	-	-	(5,371,666)	(5,371,666)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(5,371,666)</b>	<b>(5,371,666)</b>
<b>September 30, 2020 (Unaudited)</b>	<b>100,000,000</b>	<b>5,058,470</b>	<b>7,341,932</b>	<b>112,400,402</b>
<b>January 1, 2019 (Unaudited)</b>	100,000,000	4,454,606	7,278,819	111,733,425
Income for the period	-	-	2,601,074	2,601,074
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2,601,074</b>	<b>2,601,074</b>
<b>September 30, 2019 (Unaudited)</b>	<b>100,000,000</b>	<b>4,454,606</b>	<b>9,879,893</b>	<b>114,334,499</b>

The accompanying notes form an integral part of these condensed interim financial information.



Member Board of Directors



Chief Financial Officer


**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>For the nine-month period ended September 30,</b>	
		<b>2020</b>	<b>2019</b>
<b>Note</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
	(Loss) / income for the period before zakat	<b>(5,188,253)</b>	3,276,797
<u>Adjustments for:</u>			
	Depreciation on property and equipment	<b>304,146</b>	513,214
	Impairment charge against investment in finance lease	<b>3,850,000</b>	4,099,665
5	Provision for employee benefit obligations	<b>383,830</b>	396,391
	Finance (income) / charges, net	<b>(222,456)</b>	1,158,416
<u>Changes in working capital:</u>			
	Prepayments and other receivables	<b>(2,249,677)</b>	5,576,148
	Trade and other payable	<b>3,079,286</b>	(131,759,318)
	Accrued and other liabilities	<b>63,090</b>	(244,130)
	Net servicing liability under agency agreement	<b>(1,555,162)</b>	8,607,484
	Net cash utilized in operations	<b>(1,535,196)</b>	(108,375,333)
	Employee benefit obligations paid	<b>(223,924)</b>	(347,397)
	Net cash utilized in operating activities	<b>(1,759,120)</b>	(108,722,730)
<b>Cash flow from investing activities</b>			
	Cash received on sale of investment in finance lease	<b>50,524,827</b>	146,281,343
	Investment in finance lease	<b>(43,750,003)</b>	(40,392,067)
	Release of restricted deposit	<b>14,860,000</b>	28,700,537
	Addition to restricted deposit	<b>(5,629,629)</b>	(16,973,752)
	Payments for purchase of property and equipment	<b>(35,544)</b>	(737,294)
	Net cash generated from investing activities	<b>15,969,651</b>	116,878,767
	<b>Net change in cash and cash equivalents</b>	<b>14,210,531</b>	8,156,037
	Cash and cash equivalents at beginning of the period	<b>47,180,166</b>	9,138,511
	<b>Cash and cash equivalents at end of the period</b>	<b>61,390,697</b>	17,294,548
4			

The accompanying notes form an integral part of these condensed interim financial information.



Member Board of Directors



Chief Financial Officer

**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**1. General information**

Dar Al Etiman Al Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is registered as a Saudi Closed Joint Stock Company pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi Closed Joint Stock Company, the Company was operating as a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

The Company has obtained license No. 33/AM/201605 from Saudi Arabian Monetary Authority ("SAMA") to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying condensed interim financial information include the accounts of the Company's head office and all its branches.

**2. Basis of preparation**

- 2.1 The condensed interim financial information of the Company as at and for the three-month and nine-month periods ended September 30, 2020 has been prepared in accordance with International Accounting Standard "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").
- 2.2 The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.
- 2.3 These condensed interim financial information are expressed in Saudi Riyals, which is the Company's functional and reporting currency.
- 2.4 These condensed interim financial information have been reviewed, not audited.
- 2.5 There are no new relevant International Financial Reporting Standards ("IFRS") or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial information. Also, there are a number of amendments to IFRS which are effective from January 1, 2020 but they do not have any material effect on the Company's condensed interim financial information.

**2.6 Use of judgments and estimates**

The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In addition, results for three-month and nine-month periods ended September 30, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2020.

In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2019 except for the estimates described below:



**DAR AL-ETIMAN AL SAUDI COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**2 Basis of preparation** (continued)

**2.6 Use of judgments and estimates**

***Measurement of the expected credit loss allowance***

In the preparation of the condensed interim financial information management has made certain additional assumptions in the measurement of Expected Credit Loss (“ECL”). Explanation of such inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 14 of these condensed interim financial information. However, in view of the current uncertainty as explained in note 14, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**3. Significant accounting policies**

The accounting policies used in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Company’s financial statements for the year ended December 31, 2019 except for the following accounting policy adopted during the three-month and nine-month periods ended September 30, 2020.

***Accounting policy related to government grants***

The Company recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 ‘Financial Instruments’. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in condensed interim statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

**4. Cash and cash equivalents**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Cash in hand	533,837	344,377
Cash at banks	60,856,860	11,835,789
Short-term deposit	-	35,000,000
	<b>61,390,697</b>	<b>47,180,166</b>

Short-term deposits were placed with a local commercial bank with a term of up to one month and denominated in Saudi Riyals. These term deposits yield finance income at prevailing market rates.

**5. Investment in finance leases**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Gross investment in finance leases	105,178,533	120,552,934
Less: Unearned finance income and other related credits	(21,762,051)	(30,212,244)
Present value of minimum lease payments receivable	83,416,482	90,340,690
Less: Allowance for impairment against investment in finance leases	(24,975,082)	(21,274,466)
Net investment in finance leases	<b>58,441,400</b>	<b>69,066,224</b>

The Company’s implicit rate of return on leases ranges between 9% and 11% per annum (2019: between 9% and 11% per annum). These finance lease contracts are secured by promissory notes from the customer and against leased assets.

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**5 Investment in finance leases (continued)**

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

Following are the scheduled maturities of the gross investment in finance leases:

Twelve months period ending September 30:

2021	<b>55,055,567</b>
2022	<b>18,117,127</b>
2023	<b>12,206,930</b>
2024	<b>8,530,067</b>
2025	<b>11,017,482</b>
2026	<b>251,360</b>
	<b><u>105,178,533</u></b>

During the nine-month period ended September 30, 2020, the Company sold its finance lease receivables (investment in finance leases) amounting to Saudi Riyals 62.6 million (September 30, 2019: Saudi Riyals 188.5 million) to a financial institution and derecognized the same from its financial statements and recorded a net gain amounting to Saudi Riyals 4.5 million (September 30, 2019: Saudi Riyals 10.76 million) on such derecognition.

**5.1** The movement in allowance for impairment on investment in finance leases is as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening	<b>21,274,466</b>	28,608,630
Charged during the period	<b>3,850,000</b>	4,800,000
Write-offs	<b>(149,384)</b>	(12,134,164)
Closing	<b><u>24,975,082</u></b>	<u>21,274,466</u>

**5.2** Category-wise allowance for impairment on investment in finance leases is as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Performing	<b>113,475</b>	79,126
Under-performing	<b>446,260</b>	490,265
Non-performing	<b>24,415,347</b>	20,705,075
	<b><u>24,975,082</u></b>	<u>21,274,466</u>

**6. Prepayments and other receivables**

	<b>Note</b>	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Restricted deposits	6.1	<b>42,626,080</b>	51,387,662
Prepaid insurance		<b>8,769,385</b>	7,195,236
Receivable from employees		<b>1,395,556</b>	1,722,059
Due from a related party	11	<b>1,052,340</b>	2,552,937
Other prepayments and receivables		<b>3,795,131</b>	1,761,292
		<b><u>57,638,492</u></b>	<u>64,619,186</u>

**6.1** The Company has been appointed as a servicing agent for the sold receivables to the financial institutions therefore the financial institutions require the Company to keep certain balance as restricted deposits against such services for sold receivables. These deposits will be released at the end of securitization contracts and are recorded at their amortised cost. The non-current portion of these restricted deposits amounts to Saudi Riyals 42.6 million at September 30, 2020 (December 31, 2019: Saudi Riyals 51.4 million).

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**7. Share capital**

The share capital of the Company as of September 30, 2020 and December 31, 2019 comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	Country of incorporation	Shareholding %age	
		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	60%	60%
Tawad Holding Company	Saudi Arabia	40%	40%
		<b>100%</b>	<b>100%</b>

**8. Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net profit each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 30% of its share capital. This transfer is only made at the year end. This reserve is not currently available for distribution to the shareholders.

**9. Accrued and other liabilities**

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Employee related accruals	5,962,595	4,765,574
Accrued board of directors' fee	540,000	660,000
Advances from customers	336,430	387,366
Other liabilities	2,418,630	3,604,081
	<b>9,257,655</b>	<b>9,417,021</b>

Other liabilities include Saudi Riyals 0.18 million which represents the remaining balance from the amount received from SAMA under Private Sector Financing Support Program during the nine-month period ended September 30, 2020, as explained in Note 14.

**10. Zakat matters**

During the year ended December 31, 2019, GAZT had provided a revised formula for computation of zakat from the year 2019 and onwards for companies involved in financing activities. Provision for zakat is calculated at 2.578% of the zakat base subject to minimum and maximum capping / threshold of 4 times or 8 times of net profit before zakat. Previously, provision for zakat was calculated at 2.5% of zakat base and adjusted net income, whichever was higher.

As at September 30, 2020 and December 31, 2019, the Company has zakat refundable balance on account of excess payments made in the prior years.

The Company has filed its zakat declarations with GAZT up to 2019 and there are no open assessments as of September 30, 2020.

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**11. Related party transactions**

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by Abduljawad family, who are the ultimate shareholders. Related parties include the ultimate shareholders, directors, companies owned by the shareholders and key management personnel.

Name	Relationship
Universal Motors Agencies (“UMA”)	Affiliate
Key management personnel	Connected persons

The significant transactions and related amounts are as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Purchase of motor vehicles	10,788,318	24,711,954	55,784,386	67,875,384
Finance cost charged by UMA	-	-	-	1,158,416

**Compensation of key management personnel**

	Three-month period ended		nine-month period ended	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Salaries and bonuses accrued to key management personnel	329,675	348,785	998,357	856,205
Post-employment benefits	15,614	13,649	41,720	38,010
Directors remuneration	180,000	180,000	540,000	480,000

**Balances with a related party**

Significant year-end balance arising from transactions with a related party is as follows:

	Relationship	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
		Due from Universal Motors Agencies	Affiliate

**12. Seasonality of operations**

The principal activity of the Company is to provide finance lease services to customers and its activities are evenly spread throughout the year.

**DAR AL-ETIMAN AL SAUDI COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information for the three-month and nine-month periods ended September 30, 2020**

(All amounts in Saudi Riyals unless otherwise stated)

**13. Finance lease receivables - securitization and agency agreements**

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to various financial institutions.

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Finance lease receivables sold under securitization agreements	<u><b>257,179,564</b></u>	<u>295,493,064</u>

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	<b>September 30, 2020 (unaudited)</b>	
	<b>Less than one year</b>	<b>One to five year</b>
Securitization agreements	<u><b>102,947,491</b></u>	<u><b>154,232,073</b></u>
	<b>December 31, 2019 (Audited)</b>	
	<b>Less than one year</b>	<b>One to five year</b>
Securitization agreements	<u>108,318,311</u>	<u>187,174,753</u>

**Net servicing liability under agency agreements**

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability.

**14. Impact of COVID-19 on Expected Credit Losses (“ECL”) and SAMA Programs**

On March 11, 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic.

The prevailing economic conditions post lock down, require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolve around either adjusting macroeconomic factors used by the company in the estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Company in ECL estimation. In Q1 and Q2 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightages. During the period ended September 30, 2020 as more reliable data became available, the management has further adjusted the macroeconomic factors used by the Company in the estimation of expected credit losses and also revised the scenario probabilities. For the nine-month period ended September 30, 2020, an additional ECL of Saudi Riyals 0.25 million has been recorded as a result of aforementioned adjustment to macroeconomic factors and scenario weightages.

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(All amounts in Saudi Riyals unless otherwise stated)

**14 Impact of COVID-19 on Expected Credit Losses (“ECL”) and SAMA Programs (continued)**

The Company’s ECL model continues to be sensitive to macroeconomic variables and scenario weightages. Applying a five percent increase to the downside ECL scenario, could result in an approximate additional ECL charge of Saudi Riyals 0.24 million as at September 30, 2020. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

As acknowledged by the International Accounting Standards Board (“IASB”) and other regulators, it is likely to be difficult at this time to know the specific effects the health crisis and government and central bank support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the economic model underpinning PD and LGD determinations. The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any additional ECL amounts need to be recognized.

**SAMA programs and initiatives launched**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

As part of the deferred payments program, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognising a day 1 modification loss of Saudi Riyals 4,950 as at March 31, 2020 and this has been presented as part of finance income / (charges), net. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related cost that the Company is expected to incur under the SAMA program, the Company has received Saudi Riyals 1.05 million of profit free deposit from SAMA in April 2020. The benefits of the subsidised funding rate and deferment of monthly instalments have been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of grant income of Saudi Riyals 4,950 recognised in the condensed interim statement of comprehensive income for the nine-month periods ended September 30, 2020 within other income and the balancing amount has been recognized as a financial liability within, accrued and other liabilities. The management has exercised certain judgements in the recognition and measurement of this grant income. However, during the three-month period ended September 30, 2020, on the request of SAMA the Company has refunded Saudi Riyals 0.87 million out of this balance (note 9).

**15. Financial risk management**

The Company’s activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements; and therefore, should be read in conjunction with the Company’s annual financial statements as at December 31, 2019. There have been following changes in the risk management policies since the year end.

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**15 Financial risk management (continued)**

**Credit risk management**

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of concentrations at granular economic sector, region, counterparty level including consideration of impacts of government and SAMA support, collateral protection and timely review. In respect of retail portfolio these include close monitoring of employer concentrations, the trends in unemployment and the projected levels, collateral, delinquencies and timing of government support. All such measures are discussed and approved by the Credit and Risk Committee.

**Liquidity risk management**

The Company is aware of the need to keep a close focus on liquidity management and has enhanced its daily monitoring of liquidity as well as increasing the number of management meetings. The Company acknowledges the timely action of SAMA and other government bodies in providing support and assurance to the financial markets.

From the perspective of going concern, no changes were made in the objectives, policies and processes for managing capital and management monitors the maturity profile to ensure adequate liquidity is maintained. From a liquidity perspective the Company has cash and cash equivalents amounting to Saudi Riyals 61.4 million as at September 30, 2020, and therefore the Company is not significantly exposed to liquidity risk.

**16 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issuance by the Company's management on October 28, 2020.